PRESS RELEASE

DATE 28 November 2008

NO. 64

CONTACT Press service tel. +46-(0)8-787 02 00

SVERIGES RIKSBANK
SE-103 37 Stockholm
(Brunkebergstorg 11)

Tel +46 8 787 00 00
Fax +46 8 21 05 31
registratorn@riksbank.se
www.riksbank.se

■ Measures for financial stability and monetary policy working together

"The financial crisis has meant that the focus normally placed on monetary policy has been transferred to the measures taken to safeguard financial stability. Monetary policy is not an effective tool in preventing financial crises or in resolving a crisis that has broken out. However, monetary policy fulfils an important complementary function in alleviating the effects of the financial crisis on the real economy," says Deputy Governor Lars Nyberg in a speech today at a bank market event in Stockholm.

During the autumn, the Riksbank has taken measures, together with governments and central banks in other countries, to counteract the confidence crisis that has arisen in the global financial markets. The Riksbank's assessment today is that the stability of the Swedish financial system is satisfactory. But it is important to emphasise that the measures taken by the Riksbank and other authorities are a necessary condition for this situation.

The financial crisis has meant that the focus that is usually placed on monetary policy has been transferred to the efforts to safeguard financial stability. This is quite natural. Monetary policy is not an efficient tool for preventing financial crises or for resolving a crisis that has broken out. But monetary policy fulfils an important complementary function by alleviating the effects of the financial crisis on the real economy.

At present, the stimulating effect that a repo rate cut has on the economy is weakened, as the normal link between short-term market rates and the repo rate has been broken. This situation should gradually change as conditions in the financial markets normalise. When the inflation rate falls again, there will be good opportunities for monetary policy to dampen the economic downturn without jeopardising the Riksbank's inflation target.